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AUSTRIA BATTLING INFLATION SPIRAL

Government Selling Shares in Nationalized Industries to Get Public's Backing

By ALBERT D. KRAUS

The fight against inflation is often a lonely one.

Nearly everyone wants stable prices. But almost everyone wants something else—a loan, a pay rise, or some special government project—that together may make rising prices hard to check.

To obtain rank and file allies in the battle for price stability, Austria is attempting an unusual experiment. Under Government auspices, she is selling shares in her nationalized industries to the public.

So far, the country has sold 40 per cent of the stock in her two largest banks, the Creditanstalt and the Landerbank, to some 70,000 small shareholders. The response to the Government's offer has exceeded expectations. Twice as many shares were subscribed for as were offered.

Philosophy Is Explained

Dr. Reinhard Kamitz, Finance Minister, explained the Government's philosophy in an interview here recently. He said the Government looked forward to the sale of shares in other Government-owned enterprises. Because of the limited ability of the public to generate new savings and because the Government had no desire to drain funds from savings institutions, it must proceed slowly.

The sale of shares in the banks, Dr. Kamitz said, was accomplished despite the opposition of die-hard socialists and the skepticism of other persons. It represented a compromise with the socialists who insisted that the state retain voting control.

Despite this fact, Dr. Kamitz said a number of socialists were persuaded that broad ownership of shares—the people's capitalism extolled by the Voice of America—might be closer to their own ideas than continued state operation.

Calls at 'Ice Breaker'

"It was an ice breaker, the beginning of a new idea," he said. "Nationalization had been sold on the idea that the people would get control. We said give them real ownership through purchase of shares."

Private ownership in Austria, Dr. Kamitz said, had suffered in the past because of the accumulation of wealth in the hands of a few. In some cases, he said, this led to abuses.

"Concentration led to some inconveniences in pricing and in competition. These were attacked by the pro-collectivist forces."

State ownership, however, he said, had led also to disillusion. The public had no sense of participation, of partnership, in the economic fate of the nation or its enterprises.

Although small wage earners stood to lose most by price rises, as earlier inflations had demonstrated, they had no direct incentive to fight for stability, he added.

Dr. Kamitz said the banks were denationalized first because of their wide influence in almost every aspect of Austrian economic life.

"The worst thing is a socialized bank. They interfere in so many economic activities. It is less disastrous to have a nationalized steel industry."

Dr. Kamitz said that the share offering had succeeded largely because of the high yields expected from preferred shares. After the special tax levied on

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ern Paper Traffic Conference since its formation sixteen years ago.

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all share dividends, the yield is about 5 per cent. This is higher than the interest paid on other savings.

Spread of public ownership, he said, was expected to increase general awareness of the Government's problems. And, he said, it should induce Austrian enterprises to open their operations to wider scrutiny.

Unlike some other countries, Austria has followed a strong anti-inflationary program, Dr. Kamitz said. Government spending, in particular, has been reined in tightly. Price stability is essential, Dr. Kamitz believes, if the nation is to obtain the savings and investment needed to continue its growth.

Dr. Kamitz was here to discuss with the Export-Import Bank and the International Bank for Reconstruction and Development possible loans for the Austrian steel and textile industries. In addition, he held conversations with the Hilton Hotels Corporation on a projected new luxury hotel for Vienna.

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